

Understanding leader emotional intelligence and performance on transformational leadership perception

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ABSTRACT

The concept of leadership has been well-researched since the antiquated times. Over the years, the studies have yielded a plethora of works and data relevant to transactional and transformational leadership (TL). There are numerous definitions of such leadership that have come to light however these definitions have always been debatable. Most scholars agree that the concept of leadership does not ascribe to one specific definition. Burns' however, provided the following definition of leadership in his landmark publication, leadership: "Leaders inducing followers to act for certain goals that represent the values and the motivations – the wants and needs, the aspirations and expectations – of both leaders and followers. Moreover, the genius of TL lies in the manner in which leaders see and act on their own and their followers' values and motivations." This is reflected throughout history as the evolvement of many leaders has left lasting marks and impressions upon the world. Well-known leaders such as Julius Caesar, Napoleon Bonaparte, Winston Churchill, Adolph Hitler, Josef Stalin, Mahatma Gandhi, and Martin Luther King, Jr. endowed superior qualities that differentiated them from followers. The TL traits possessed by these leaders are having definite link with some of the constructs of emotional intelligence (EI) of inspired others to become devoted followers who were committed to their cause. Leadership in this sense is an aspect of power, but unlike power, leadership is inseparable from followers' needs and goals. It has been found that transformational behaviors on the part of leaders promote empowering cultural norms, high levels of subordinate motivation, commitment to quality, and enhanced productivity. It was seen that empowering cultural norms of organizational citizenship behavior (OCB) promotes constructive and

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achievement-oriented behaviors by members. Such norms are associated with basic values and shared assumptions emphasizing the significance of organizational members' roles and collaboration through motivation rather than by competition. Motivation in this context is the extrinsically stimulated "extra effort" on the part of subordinates inspired by transformational leaders. This article basically deals with exploring the relationship between emotional intelligence and transformational leadership in a conceptual form

Over View

Innovative and budding area of behavioral research, Emotional intelligence has played a noteworthy role in enhancing greater success, fostering stronger personal relation, having effective leadership skill. It is not the smart people those are more successful but people with high level of emotional intelligence have the capacity for creating trusted relationship, effectiveness in different situations while creating the future. Each and every workplace is comprised of variety of people with different strength, personalities and emotions, which can greatly affect the way they work. Research shows that main suppression of emotion throughout the process of career building, the employees undergo stress which gives rise to depression, addiction, illness etc. therefore emotional intelligence comes into existence which has the capacity of individual to recognize their own and other person's emotion to discriminate between different feeling and labeling them appropriately. As referred in Daniel Goleman book (1998), "What makes a leader?" Emotional intelligence is a sine qua non of leadership. (p.1). He breaks down E.I into five categories i-e self -awareness, self -regulation, motivation, empathy and social skills. Most importantly, Goleman believes that EI can be learned through deliberate practice and feedback. This paper breaks down the aspects of focus, sustaining its points with an abundance of research and evidence from the field of neuroscience and psychology to find out the correlation between emotional intelligence and transformational leadership for achieving success in the present-day business scenario.

Emotional Intelligence (EI)

Salovey and Mayer (1990) first introduced the concept of EI as a type of social intelligence, distinguishable from general intelligence. According to them, EI is the ability to monitor one's own and others' emotions, to separate among them, and use the information to guide one's thinking and actions. In a later attempt, they (Salovey & Mayer, 1997) expanded their model and defined EI as the ability of an individual to perceive correctly, appraise, and

express emotion; the ability to access and generate feelings when they facilitate thought; the ability to understand emotion and emotional knowledge; and the ability to regulate emotions to promote emotional and intellectual growth.

Research has shown that EI is the widespread element that influences the different ways in which people expand in their lives, jobs, and social skills; handle frustration; control their emotions; and get along with other people. It has been found that the differentiation between a simply brilliant person and a brilliant manager is due to a person's EI. Ultimately, it is EI that dictates the way people deal with one another and understand emotions. Hence, EI is considered important for business leaders because if they are insensitive to the mood of their staff or team, it can create frustration and, therefore, not get the best out of people (Anonymous, 2004).

Turner (2004) stated that EI is the softer component of total intelligence and that it contributes to both professional and private lives. Traditional IQ is the ability to learn, understand, and reason. It is now thought to contribute only 20% to one's success, whereas emotional quotient (EQ), which is the ability to understand oneself and work together with people, contributes 80%. EQ is critical to effective leadership. IQ has been linked to job performance and is a key element in recruitment. However, EQ is evident in the leaders'/managers' ability to maintain their positions and be successful in their roles. The fact is that most firms hire for intelligence (IQ) and sack because of attitude (EQ)

Components of EI

Barling, Slater, and Kelloway (2000) noted that EI comprises five characteristics: understanding one's emotions; knowing how to manage them; emotional self-control, which includes the ability to delay gratification; understanding others' emotions or empathy; and managing relationships. Lubit (2004) divided EI into two major components: personal competence and social competence. Personal competence refers to self-awareness and the ability to manage those feelings effectively (self-management). Personal competence is the combination of self-awareness and self-management (i.e., the ability to manage effectively the identified feelings). The components of self-awareness are awareness of emotions and their impact and the awareness of strengths and weaknesses. The components of self-management are emotional self-control, adaptability (i.e., flexibility in adapting to changing situations and obstacles), integrity, honesty, trustworthiness, drive to grow and achieve achievement orientation, continuous learning, willingness to take initiatives, and optimism.

Social competence is comprised of social awareness (the ability to understand what others feel) and relationship management (having the skills to work effectively in teams). The ability to understand others' emotions, persuasion, motivation, conflict resolution, and reasons for cooperation are among the most critical skills identified as essential for leaders and successful managers. Social awareness involves empathy and insight, understanding others' perspectives and feelings, appreciation of others' strengths and weaknesses, political awareness, respect for others, conflict management skills, collaborative approach, sense of humor, persuasiveness, and the ability to leverage diversity. Social competence develops by paying attention to the emotions and behavior of others, seeking to understand others' behavior through reflection and discussions with third parties, thinking of various ways to deal with situations, and observing the effects of one's actions. Social competence can be enhanced by observing others, thinking about why people behave and react as they do, and identifying behavior that seems helpful in critical situations (Lubit, 2004).

Goleman (2002) divided the 18 competencies of EI into four main groups that encompass our understanding of people: self-awareness, self-management, social awareness, and relationship management.

As per Welch (2003), team EI is comprised not only of each individual's EI but also the collective competency. In addition, the social skills required of people within an emotionally intelligent team and a focused training methodology can be broken down into five areas: inclusiveness, adaptability, assertiveness, empathy, and influence.

Caruso, Mayer and Salovey (2002) proposed two alternative conceptions of EI: the ability model and the mixed model. The ability models place EI within the sphere of such intelligence, wherein emotion and thought interact in meaningful adaptive ways. Thus, EI is viewed much like verbal or spatial intelligence, except that it operates on an emotional content.

Mixed models blend various aspects of personality in a theoretical manner. The resulting conglomerate of traits, dispositions, skills, competencies, and abilities is labeled EI. These different models have also given rise to diverse ways of measuring EI.

Why EI is Significant?

EI enables people to deal with just about anything with a measure of balance and maturity. Emotionally intelligent people have a deep rooted sense of self which helps them in understanding other people, keeping things in proportion, retaining focus, and understanding

what is important. They also retain a positive viewpoint almost all of the time, are successful in whatever they choose to do, have high work performance and personal productivity levels, and consequently enjoy greater job satisfaction.

Bardzill and Slaski (2003) found that organizational leaders must recognize the importance of emotionally intelligent behavior and reward it actively. Positive reinforcement of an emotionally intelligent environment ensures the development of a service-orientated climate. Performance measures that often exclude the “soft skills” fail to reflect any positive results of EI development that may be occurring within the organization. Emotional elements underlie the dynamics of many aspects of modern organizations, and the role of EI should be considered while devising organizational policies, processes, and procedures.

Lubit (2004) considered social competence to be an important component of EI, making it very valuable for teams. Welch (2003) said that EI enables teams to boost their performance. In an era of teamwork, it is essential to figure out what makes teams work. His research has shown that just like individuals, the most effective teams are the emotionally intelligent ones and that any team can improve and attain higher levels of EI. In his study, teams with identical aggregate IQ were compared, and it was found that teams with high levels of EI outperformed teams with low levels of EI by a margin of two to one. He highlighted two key points. First, there is evidence that EI in teams is a significant factor. Second, there is the assertion that EI can be developed. He proposed that these five EI team competencies build on individual EI skills: inclusiveness, adaptability, assertiveness, empathy, and influence. However, these competencies are not enough on their own. Trust is the foundation of teamwork for it to be a truly joyous undertaking; it allows people to examine where they can improve without becoming self-critical or defensive.

Vakola, Tsaousis, and Nikolaou (2004) presented that EI contributes to a better understanding of the affective implications of a change of policy in an organization. More specifically, they claimed that employees with low control of emotions react negatively towards the proposed changes since they are not well equipped to deal effectively with the demands and the affective consequences of such a stressful, emotionally expensive procedure. In contrast, employees with the ability to use their emotions appropriately (since they are optimistic and often take initiatives) usually decide to reframe their perceptions of a newly introduced change program and view it as an exciting challenge. Attitudes toward organizational change demonstrate positive relationship with the use of emotions for problem solving and control of reactions.

Transformational Leadership

The past decades have indicated some union among organizational behavior scholars concerning a new genre of leadership theory, alternatively referred to as transformational, charismatic, and visionary leadership. Kent, Crotts, and Aziz (2001) defined TL as a process by which change or transformation is introduced to individuals and/or organizations. Traits of Transformational Leaders Dvir, Dov, Avolio, and Shamir (2002) said that transformational leaders exert additional control by broadening and elevating their followers' goals and providing them with the confidence to perform beyond the prospect specified in the implicit or explicit exchange agreement. Transformational leaders exhibit charismatic behaviors, arouse admiration, inspire, motivate, provide intellectual encouragement, and treat their followers with individualized consideration. Such behaviors transform their followers by inspiring them to reach their full potential and produce the highest levels of performance. Transformational leaders evaluate the potential of all followers in terms of their ability to fulfill current pledge while also envisioning further expansion of their responsibilities. Transforming leadership is enabling. The leader engages with people in a way that transforms their relationship; they are no longer the leader and the led in the authoritarian sense. They become partners in the pursuit of a common goal, each making their appropriate input and increasing their capacity to perform (Nicholls, 1994). Popper, Ori, and Ury (1992) said that the main characteristic of transformational leaders is their extraordinary effect on subordinates and their success in establishing their commitment. A transformational leader transforms and creates significance for his or her subordinates, a meaning that enhances the subordinates' commitment. A transformational leader can relate and articulate subordinates' need for identity and does this by giving sense and strengthening the concept of the self and by boosting their individual identity. A transformational leader is the catalyst who transforms the subordinates' motivation to commitment and their commitment into exceptional achievements.

Dimensions of Transformational Leaders

Bass and Avolio (1993) proposed that the four dimensions that comprise transformation leadership behavior are idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration.

Individualized influence- Individualized influence occurs when leaders earn the trust and respect of their followers by doing the right thing somewhat than ensuring that the subordinates do things right. When the leaders focus on doing the right thing, which they usually do by

using stories and symbols to communicate their vision and their message, they serve as role models. Humphreys and Einstein (2003) have found that transformational leaders operate out of deeply held personal value systems that include qualities like justice and integrity. By expressing these personal standards, transformational leaders connect their followers. But, more importantly, they can change their followers' goals and beliefs for the better.

B. Intellectual stimulation- According to Shin, Shung, Zhou, and Jing (2003), inspirational motivation is related to the formulation and expression of a vision and/or challenging goals. Intellectual stimulation promotes intelligence, rationality, and careful problem-solving abilities. It also involves appealing the rationality of the subordinates, getting them to challenge their assumptions and to think about old problems in new ways. Leaders who engage in intellectual stimulation do not answer all their employees' questions; instead, they make them look for the answers on their own.

C. Individual consideration- Individual consideration is concerned with treating the employees as individuals and not just members of a group. Leaders display this trait by being compassionate, appreciative, and responsive to the employees' needs and by recognizing and celebrating their achievements.

D. Inspirational motivation- Conger and Kanungo (1988) have found that inspirational motivation and charisma are companions. Transformational leaders inspire their followers to achieve great feats by communicating high expectations by using symbols to focus efforts and by expressing important purposes. Transformational leaders tend to pay close attention to the interindividual differences among their followers and frequently act as mentors to their subordinates, typically coaching and advising the followers with individual personal attention. Since charismatic leaders have great power and influence, the employees have a high degree of trust and confidence in them and want to recognize with them. Charismatic leaders inspire and excite their employees with the idea that they may be able to accomplish great things.

Influence of Transformational Leaders on Followers

Shin et al. (2003) found that TL completely relates to follower creativity, followers' conservation, and intrinsic motivation. TL boosts intrinsic motivation and provides intellectual stimulation; the followers are optimistic to challenge the status quo and the old ways of doing things.

Kark and Shamir (2002) have found TL to be a multifaceted, complex, and self-motivated form of influence in which leaders can affect followers by highlighting diverse aspects of the followers' social self-concept and modify their focus from one level to another. This is likely to determine whether the followers see themselves chiefly in terms of their relationship with the leader or in terms of their organizational group membership. They suggested that different leadership behaviors could describe for priming these different aspects of followers' self-concept and followers' identification. Furthermore, these different forms of influence are significant because they can lead to differential outcomes.

Dionne, Yammarino, Atwater, and Spangler (2004) posited that by means of individualized consideration, a leader addresses issues of competence, meaningfulness and impact with each team member, and encourages continued individual development.

Kark and Shamir (2002) found that TL behavior such as intellectual stimulation increases the followers' feeling of self-worth because they send out the message that the leader believes in the followers' integrity and ability. Followers of transformational leaders who are eager to focus on their relational self would be motivated to improve the well-being of the leader by being cooperative, loyal, and committed. The most significant effect of TL is that of influencing followers to rise above self-interests for the sake of the welfare of the organization.

Jung, Chow, and Wu (2003) indicated that TL has significant and optimistic relations in terms of both empowerment and fostering an innovation-supporting organizational climate. Dvir et al. (2002) have found TL to have a positive impact on the development of followers' empowerment in terms of their engagement in the task and specific self-efficacy. The deep-rooted hypothesis is that follower development can influence performance to show that TL affects development as well as performance.

Kark and Shamir (2002) suggested that transformational leaders can have a dual effect, exerting their influence on followers through the formation of personal identification with the leader and social identification with the work unit, and that these different forms of identification can lead to differential outcomes.

TL theory suggests that such leadership is likely to result in a wide range of outcomes at the personal level (e.g., followers' empowerment, extra effort) and at the group or organizational level (e.g., unit cohesiveness, collective efficacy). TL produces these effects

primarily by priming the followers' relational self and promoting identification with the leader (Kark & Shamir, 2002). What distinguishes a leader is the combination of head and heart, the ability to understand and efficiently apply emotions as a means of link and influence (i.e., the emotional intelligence that a leader possesses). Therefore, we need to study how the EI of a leader is related to TL.

Objectives of the research

An extensive review of related literature on emotional intelligence and transformational leadership that has been conducted in order to evolve a research study. The objective for research was based on the following research objectives:

- To explore emotional intelligence and its factor of development
- To study emotional intelligence and its influence on transformational leadership
- To analyze the relationship between emotional intelligence and transformational leadership
- To describe the role of emotional intelligence for transformational leadership in current scenario with a recommended model.

Hypothesis -1 - Emotional intelligence and transformational leadership are correlated.

Relationship between Transformational Leadership and Emotional Intelligence

Palmer, Walls, Burgess, and Stough (2001) stated that, EI has fast become accepted as a means for identifying potentially effective leaders and as a tool for development effective leadership skills. Their findings indicate that EI, which is calculated by a person's ability to monitor and manage emotions within self and in others, may be an underlying capability of TL.

TL is defined as "that activity which stimulates purposeful activity in others by varying the way they look at the world around them and relate to one another. It affects people's personal beliefs by touching their hearts and minds" (Nicholls, 1994, p. 11). Gardner and Stough (2002) found that the two fundamental competencies of effective leadership are the ability to observe emotions in one's self and in others. In fact, their research supported the existence of a strong relationship between TL and overall EI. It was found that EI correlated

extremely with all the components of TL, with the components of accepting of emotions and emotional management being the best predictors of this type of leadership style. Leaders who considered themselves transformational not transactional reported that they could identify their own feelings and emotional states, express those feelings to others, utilize emotional knowledge when solving problems, recognize the emotions of others in their workplace, manage positive and negative emotions in themselves and others, and effectively control their emotional states. Barling et al. (2000) found that EI is associated with TL. In contrast, active and passive management and laissez faire management were not associated with EI.

Analysis by Sivanathan and Fekken (2002) showed that the followers perceived leaders with high EI as more effective and transformational. They found that EI conceptually and empirically linked to TL behaviors. Hence, they concluded that having high EI increased one's TL behaviors.

Barling et al. (2000) asserted that EI is associated with the three aspects of TL (i.e., idealized influence, inspirational motivation, and individualized consideration) and the contingent reward. The subordinates see individuals with higher EI as displaying more leadership behaviors. Controlling for attribution style, they also demonstrated that those three aspects of TL and constructive transactions differed according to level of EI.

Leaders who can identify and manage their own emotions and who display self-control and delay gratification, serve as role models for their followers, thereby earning followers' trust and respect. This would be consistent with the essence of idealized influence.

In fact, Gardner and Stough (2002) found that leaders with a high EI component of understanding emotions were able to perceive accurately the extent to which followers' expectations can be raised. This is related to the TL's subcomponent of inspirational motivation. Consistent with the conceptualization of idealized influence (the component of TL), leaders are able to understand and manage their emotions and display self-control, thus acting as role models for followers, earning their followers' trust and respect. They found that the ability to monitor emotions within oneself and others correlated significantly with the TL components of idealized attributes and behaviors.

With emphasis on understanding other people's emotions, leaders with high EI would be able to realize the extent to which they can raise followers' expectations, a sign of inspirational

motivation. Gardner and Stough (2002) found that a major component of individualized consideration is the capacity to understand followers' needs and interact accordingly. With emphasis on empathy and the ability to manage relationships positively, leaders having EI are likely to manifest individualized consideration. Palmer et al. (2001) found that the inspirational motivation and individualized consideration components of TL are significantly correlated with the ability to both monitor and manage emotions in one and others. The ability to monitor and manage emotions is one of the underlying attributes that characterize the individual consideration component of effective TL. Gardner and Stough (2002) found that the ability to manage emotions in relationships allows the emotionally intelligent leader to understand followers' needs and to react accordingly (related to the component of individualized consideration). The ability to monitor and manage emotions in oneself and others were both significantly correlated with the inspirational motivation and individualized consideration components of TL. Barling et al. (2000) found that individuals high in EI use transformational behaviors.

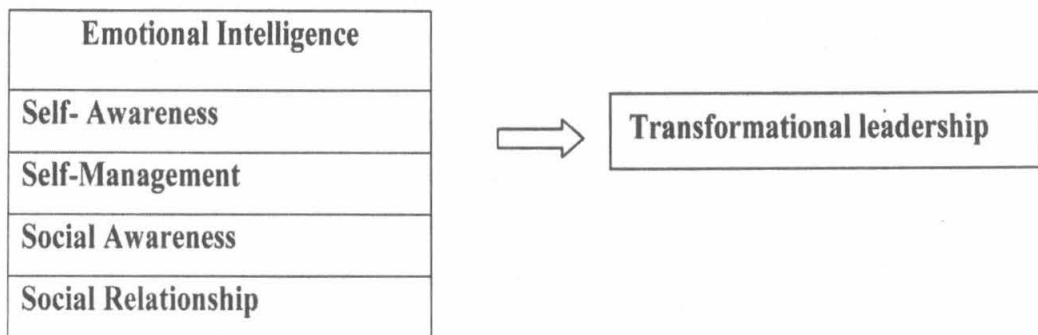
In India, there are limited studies on the relationship between transformational leadership and emotional intelligence. Most empirical research on EI in India were done in the education field and descriptive in nature (Zainuddin, 2000; Reimy, 2001; Sarina, 2007; Yahya & Ng, 2001; Mohd Najib et al., 2002; Liew et al., 2002). Sivanathan and Fekken (2002), Gardner and Stough (2002) and Polychoniou (2009) found positive relationship not only between EI and transformational leadership styles but also leadership effectiveness. Interestingly, in a study among project managers, Leban and Zulauf (2004) found that EI is significantly related not only with transformational but also transactional leadership and laissezfaire. Although EI explains higher difference in transformational leadership compared to other styles, this study indicates that EI is a predecessor to any leadership style. Studies done by Palmer et al. (2001) and Barling et al. (2000) indicate that not all dimensions of transformational leadership are significantly related to EI and its dimensions. They found that Inspirational Motivation, Idealized Influence and Individualized Considerations are significantly correlated with either EI or its dimensions but not Intellectual Stimulation.

Nonetheless, Brown et al. (2006) in his study involving 2,411 employees found that EI is not related to transformational leadership and its dimensions. The presence of cultural and

organizational diversity is claimed as one of the reasons for the contradictory findings. Furthermore, this study utilized subordinate assessment rather than self-rated assessment as compared to many previous studies. Sosik and Magerian (1999) further examined whether self-awareness among managers would moderate the relationship between aspects of emotional intelligence and transformational leadership behavior and between transformational behaviors and managerial performance. The findings of this research suggested that transformational leaders who have high levels of self-awareness, self-confidence and self-efficacy (all components of emotional intelligence) are perceived as high performers. The study also found that managers who maintain self-awareness possess more aspects of emotional intelligence and are rated as more effective by both their superiors and their subordinates.

The Conceptual Framework

Based on the existing literature, it is deduced that leaders who possess a high level of emotional intelligence would also tend to display transformational leadership behavior. Components of emotional intelligence should also have direct positive relationships with transformational leadership. Barling et al. (2000) explicitly explained why individuals with high emotional intelligence are more likely to display transformational leadership behavior. First, leaders who are aware and could manage their emotions would serve as role models to their followers, thereby, enhancing their followers' trust in them and respect their influence. This would be consistent with the essence of idealized influence. Secondly, leaders who understand others' emotions would have the ability to realize the extent to which followers' expectations could be raised, a hallmark of inspirational motivation. Thirdly, a major component of individualized consideration is the ability to understand followers' needs and interact accordingly. Leaders manifesting emotional intelligence would be likely to manifest individual considerations by having positive relationship management and interaction. Finally, it is believed that intellectual stimulation not only requires the leaders' abilities to present intellectual challenges and change followers' perspectives, but it also requires the ability to recognize the motivating drives, to instill positive thinking, and to move people to embrace new ways of thinking. Facilitating and coaching require a great deal of emotional capabilities, which can be collectively referred to as emotional intelligence. Hypothetically, the relationship between emotional intelligence and its subcomponents and transformational leadership is depicted below in Figure-1.



One of the most prominent growths in the investigation of EI and TL is the confirmation of its utility for growing organizational satisfaction, commitment, and effectiveness. Empirical research by Masi and Cooke compared the impact of TL and transactional leadership on follower motivation, empowerment, and commitment to quality. They initiate TL tends to empower and motivate followers while transactional leadership, which focuses on rewards or the threat of withholding rewards (Bass and Avolio, tends to suppress follower commitment to both quality and productivity.

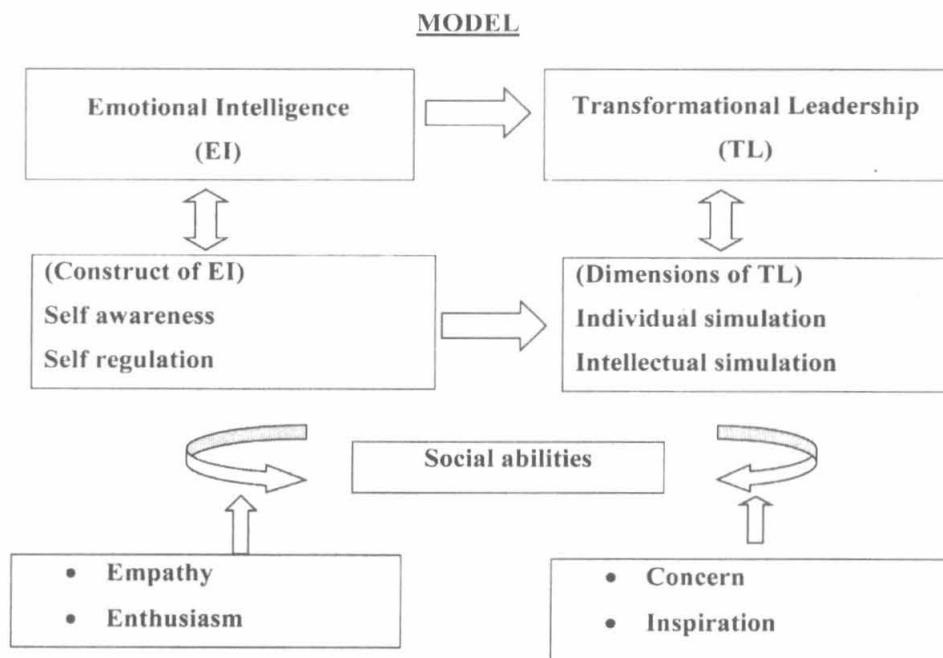
Bass and Avolio proposed that the four dimensions, which comprise TL behavior, are idealized influence, inspirational motivation, intellectual simulation, and individualized consideration. Copper showed that the trustworthiness is an important element in a leader's makeup as shown in the previously described study. Without trust, much time and effort are spent on nonproductive activities because leaders feel compelled to draw up procedures in great detail, even for simple transactions. Innovation will stop when subordinates do not trust the leaders. Creativity will vanish if the sense of trust in an organization is lost and if people are preoccupied with protecting their backs.

It has been found that transformational behaviors on the part of leaders promote empowering cultural norms, high levels of subordinate motivation, commitment to quality, and enhanced productivity. It was seen that empowering cultural norms of organizational citizenship behavior (OCB) promotes constructive and achievement-oriented behaviors by members. Such norms are associated with basic values and shared assumptions emphasizing the significance of organizational members' roles and collaboration through motivation rather than by competition. Motivation in this context is the extrinsically stimulated "extra effort" on the part of subordinates inspired by transformational leaders. Transformational leaders enhance the OCB of followers through motivation.

Palmer found that the inspirational motivation and individualized consideration components of TL are significantly correlated with the ability to both monitor and manage emotions in one-self and others. According to Brief and Weiss, transformational leaders feel excited, enthusiastic and energetic, thus energize their followers. Transformational leaders use strong emotions to arouse similar feelings in their audiences. Kark and Shamir suggested that transformational leaders can have a dual effect, exerting their influence on followers through the creation of personal identification with the leader and social identification with the work unit, and that these different forms of identification can lead to differential outcomes.

Recommended model of Emotional Intelligence and Transformational Leadership:

Based on the various literature surveys it is established that constructs of EI such as self-awareness, empathy and motivation have direct positive co-relation with TL traits such as individual influence, individualized consideration and inspirational motivation. It is thereby inferred that more EI competent leader will be able to influence his followers with his individual personality and motivate them very well. Also with enhanced EI competency the empathy will be more pronounced, and he can give individualized consideration to his followers. The model is depicted pictorially in the following diagram of the model.



Discussion

The outcome of the present study shows that overall emotional intelligence has significant influence on transformational leadership. However, only self-awareness and relationship management are significant predictors of transformational leadership. As argued by Yulk (2001), transformational leadership relies heavily on emotional aspects of leadership especially in terms of how leaders influence followers to make self-sacrifices for the benefit of the organization. Development of such influence is based on trust. The process of attaining trust from the followers, consequently, is traced back to the emotional intelligence competencies especially self-awareness (Goleman, 1998). Leaders who have self-awareness would facilitate their abilities to empathize, which is the ability to be „in the follower s shoes . This process goes a step further when followers will then trust the leader because of this building bond. In short, self awareness and self regulations depends on individual and intellectual simulation of interactions among dimensions of emotional intelligence provides the necessary basis for further development of transformational leadership. Similarly, relationship management is the integral component of transformational leadership as leaders need to be able to assess subordinates emotions, feelings and help them regulate their emotions and achieve desirable goals. Through this relationship management, social skill is connected to all aspects of EI and TL. From a managerial selection viewpoint, emotional intelligence provides initial indication of leadership potential, thus would provide organizations with means for selecting organizational leadership. Organizations should be able to use an emotional intelligence test as a developmental tool to identify potential leaders strength and weaknesses and to assess „readiness of managers for promotion to fill in the leadership roles. According to Tucker et al. (2000), managerial derailment is frequently attributed to character flaws such as a lack of self-awareness, an inability to change, poor treatment of others, and an interpersonal deficiency. Managers who are promoted to lead must have strong emotional intelligence competencies together with the technical and educational skills in order to be successful. Therefore, emotional intelligence could be a useful yardstick in measuring and in understanding the promotion readiness among managers. It would assist organizations to make prudent decisions on promotions and reduce subjective appraisal. Moreover, this finding is vital for the development of pre-selection tools for recruitment purposes. The increasingly complex human resource functions to develop a long-term human resource plan that is aligned with organizations visions include hiring leaders and employees who can withstand economic fluctuations and taking advantage of any opportunity arising from these research and

development efforts, competitor advances, and globalization (Rajkumar, 2001). In other words, human resource managers have to constantly re-engineer a systematic employment process or an approach that can bring forth the desired workforce and leaders who can work with changes and not against them.

Conclusion

Having reviewed a considerable number of papers, it is observed that TL has definite positive correlation with EI barring few exceptions. As per various studies carried out in varied environments reveal that emotionally competent leaders at various levels of management are more successful in their organization and they are able to transform the people and work culture by their individual personality traits and inspirational motivating power. Some of the inferences are listed below:

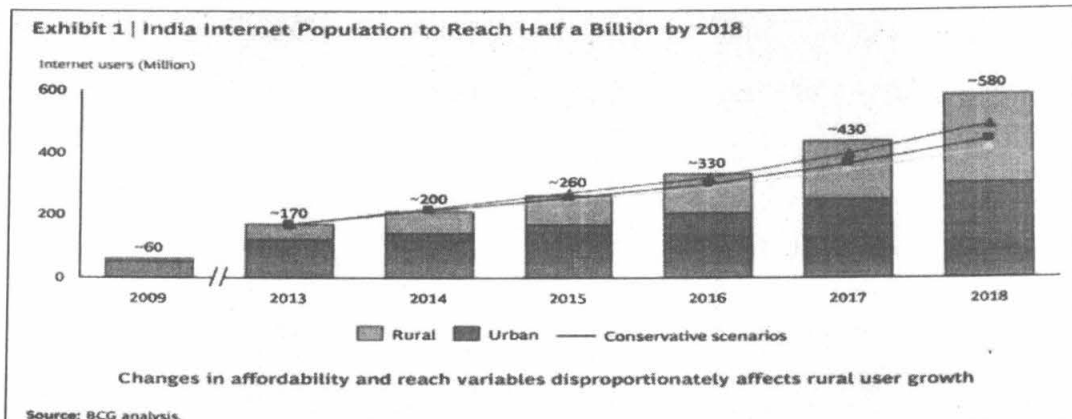
- Leaders having higher EI show better quality of work performance
- Four dimensions, which comprise TL behavior are idealized influence, inspirational motivation, intellectual simulation, and individualized consideration
- Transformational leaders are frequently motivated to go beyond the call of duty for the benefit of their organization
- Transformational behaviors of leaders promote empowering cultural norms, high levels of subordinate motivation, commitment to quality and enhanced productivity
- Transformational leaders feel excited, enthusiastic and energetic, thus energize their followers. Transformational leaders use strong emotions to arouse similar feelings in their followers through EI competency.

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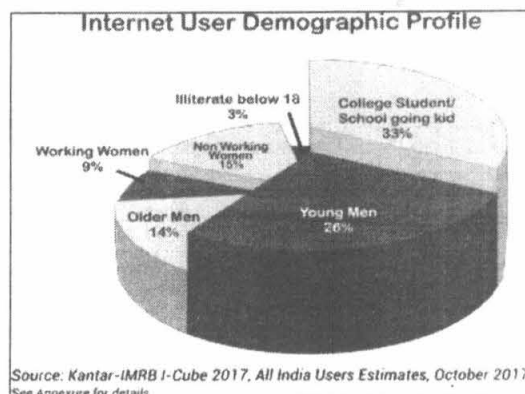
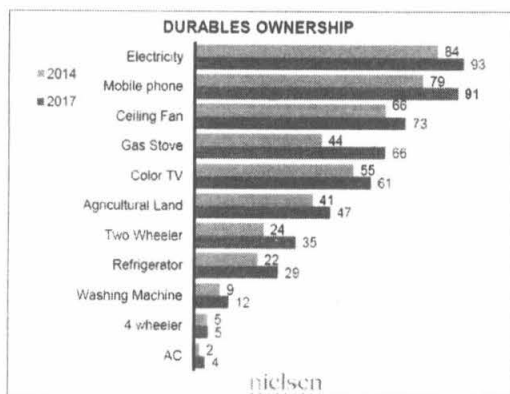
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Internet Penetration



The number of internet users has grown to an astounding 500 million in only five years. The interesting part is that the rural internet users are almost the same as urban internet users. Although the share of media and entertainment consumption might be low in terms of data usage, but it is nonetheless a promising segment for the media companies.

Key Consumer Trends of Media & Entertainment Industry



1. Shift from collective watching to exclusive watching

As per Nielsen’s Indian Readership Survey 2017, 61% of households have a colour Television whereas 91% have mobile phone. It is interesting to note that while there is one Television in a household on an average, mobile phones are often more than one in a single household. Each member of the family has their own phone (smartphone in 50% of the cases). Also, almost 50% of the internet users in India are young people, followed by housewives and elder people. Out of all mediums used to access internet, smartphone is the primary medium

(as per BCG Consumer Insight survey). This phenomenon is leading to increased demand for a single person viewing experience and has opened many new avenues for content providers to curate specific content keeping in mind the demography of a single individual accordingly.

2. Availability of cheaper handsets and cheaper data

With the advent of International companies like Oppo, Vivo, Xiaomi etc and domestic players such as Lava, Intex and Karbonn, customers are getting smartphones fit for every pocket size, starting from as low as Rs 3000 (Karbonn Titanium 3D – PLEX). Cheaper data plans add up to the demand even more.

The cheapest prepaid Reliance Jio 4G plan is for Rupees 96 (Prime), that comes with free voice, unlimited local and STD calls and roaming to any network within India. They have also introduced 4G enabled smartphones for as cheap as Rs 50. In the past two years, a normal consumer who was using a cellphone primarily to call and message people is now purchasing and using a phone primarily to access internet.

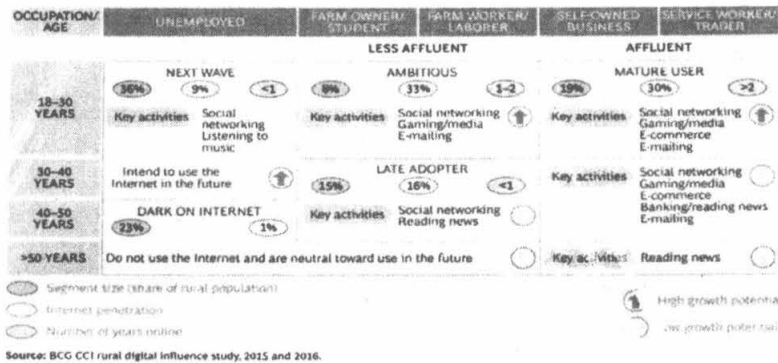
Although the number of digital only consumers is comparatively less (about 1.5 million), it is expected to grow by more than 100% to reach 4 million by 2020.

3. Rural India shifting to digital platforms

The rural internet users are a little lesser than urban internet users as per reports. By 2020, rural users will make up 48% of all connected consumers in India. The unemployed (i.e. the housewives), the ambitious (college going, internet savvy) and the mature users (using internet for more than 1 year) segments are having high growth potential. The main areas of

	2017	2020
Digital only	1-1.5Mn subscribers	4Mn subscribers
Tactical digital consumers (Pay TV+ Pay OTT)	6Mn subscribers	20Mn subscribers
Mass consumers (Pay or Free TV + Free OTT)	200+Mn subscribers	500+Mn subscribers

EXHIBIT 1 | Five Segments of Internet Users in Rural India

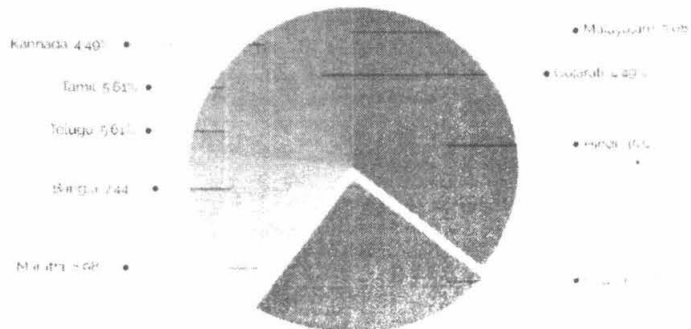


internet usage are social networking, Ecommerce and gaming. There is huge potential for Media and Entertainment companies to tap this market.

4. Rise in demand for regional content

The influx of internet users in India has enhanced content consumption in India with the demand for regional content on social media surpassing English, one of the most widely spoken languages pan India. Hindi, India’s unofficial official language has asserted its dominance when it comes to regional content in India. Users who know English have already been bitten by the digital wave. The next

With a 66% share in overall content consumption, regional languages have surpassed English

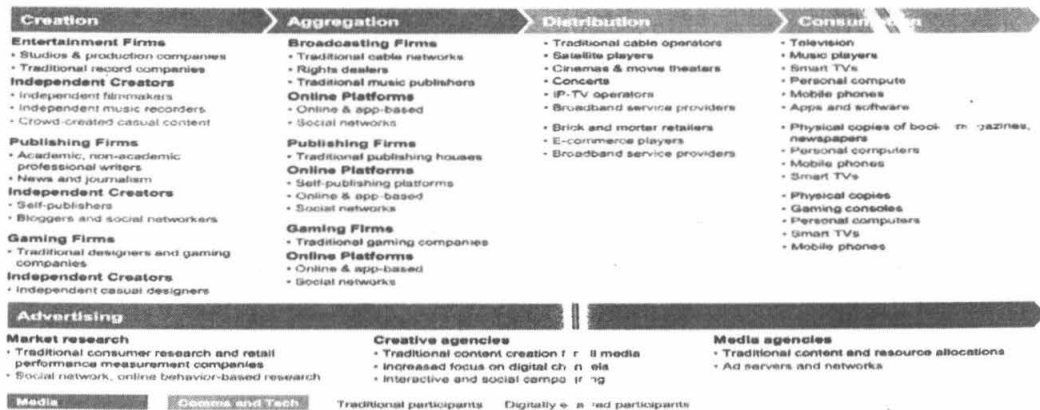


step for the companies is to capture the rural audience who speak regional languages. According to Times Internet data, more than half of Indian internet user base is Non-English and this regional language user base has grown at a CAGR of 41% between 2011 and 2016 to reach the current 234 million. This is expected to grow by 18% CAGR to reach 536 million by 2021 versus English which is expected to grow at 3% CAGR to reach 199 million by 2021. By 2021, regional language users will account for 75% of India’s Internet user base. The industry heads have already caught the digital wave. Viacom 18 Digital Ventures’ video platform

Voot, for instance, offers content in languages such as Kannada, Marathi, Tamil, Bangla and Gujarati.

Content Value Chain

Value Chain



The value chain for Media and Entertainment Industry is a four step process along with integrated Advertising. Right from the content creation to aggregation, distribution and consumption of media, there is an increasing influence of digitally enabled participants. The world has indeed become small with information being passed so quickly to the audience for consumption with minimum cost and hassle.

Key Trends of M&E Industry

Although the entire M&E industry is growing at a CAGR of 11.6%, the maximum growth is seen in digital media, Animation and VFX and Online gaming which are digitally dependent segments. Here is a look at the trends in major segments and the factors contributing to the same.

1. Television

- Television Industry has seen a tremendous growth (CAGR: 14.3 per cent) over the past 6 years (2010- 16), growing from US\$6.46 billion in 2010 to US\$9.62 billion in 2016
- The Direct-To-Home (DTH) subscription is growing rapidly driven by content innovation and product offerings.

2. Print

- The print industry is estimated to reach US\$4.76 billion in 2016 and is expected

to grow at a CAGR of 7.3 per cent between 2016 to 2021, with the market expected to reach US\$6.69 billion by 2021.

- Increasing income levels and evolving lifestyles have led to robust growth in niche magazines segment.
- Considering the huge potential in regional print markets, national advertisers are entering these markets to increase their advertising share

3. Film

- The Indian film industry is largest producer of films globally with 400 production and corporate houses involved in film production.
- The revenues earned by the Indian film industry in 2016 would reach US\$2.31 billion and are expected to further grow at a CAGR 7.7 per cent during 2016-2021. Increasing share of Hollywood content in the Indian box office and 3D cinema is driving the growth of digital screens in the country.

4. Out of Home

- Although Out-of-Home segment has a low contribution to the total of entertainment industry, in coming years it is going to witness a significant growth.
- The market size for Out of Home (OOH) entertainment reached US\$388.21 million in 2016

5. Digital

- With increasing penetration of internet and digital mediums, digital segment is expected to outperform other sectors of entertainment.
- Digital media is driven by advertising. Subscriptions will grow much faster till 2020 to reach 9% of the total revenue by media companies
- Digital advertisement spend is growing at almost 38% to reach INR 60 billion now. It is expected to cross INR 255 billion in 2020.

The sector grew to INR1.5 trillion

The Indian M&E sector reached INR 1.5 trillion (USD 22.7 billion) in 2017, a growth of almost 13 percent over 2016. With its current trajectory, we expect it to cross INR2 trillion (USD 31 billion) by 2020, at a CAGR of 11.6 per cent

Segment	CY2016	CY2017	CY2018E	CY2020E	CAGR 2016-20
Television	594	660	734	862	9.8%
Print	296	303	331	369	5.7%
Filmed entertainment	122	156	166	192	11.9%
Digital media	92	119	151	224	24.9%
Animation and VFX	54	67	80	114	20.4%
Live events	56	65	77	109	18.0%
Online gaming	26	30	40	68	27.5%
Out Of Home media	32	34	37	43	7.7%
Radio	24	26	28	34	8.6%
Music	12	12	14	18	10.6%
Total	1,308	1,472	1,660	2,032	11.6%

All figures are gross of taxes (INR in billion)

- Mobile advertisement spend is expected to grow at a CAGR of 62.5% to reach INR 102 billion in 2020.
- Cross platform advertising is also on the rise. Brands are now leveraging television, print and social media presence to augment campaign effectiveness.

6. Animation, Gaming and VFX(AGV)

- Growing focus on the 'kids genre' and rise in dedicated TV channels for them. As the advertising industry grows, the share of animation driven advertisements are expected to also grow
- Surge in 3D/HD animated movies in theatres and use of animation and VFX in TV advertising and gaming. Growing outsourcing of VFX and gaming to India is due to cost effectiveness of Indian players
- Content localisation such as T20fever.com, IPL, Khel Kabaddi, etc.
- Animation and VFX industry in India is expected to grow at a CAGR of 7.2 per cent over 2016-2021 and the gaming industry is expected to grow at a CAGR of 18.2 per cent during the same period.

7. Music

- The music industry is on fast paced growth with increasing international associations. The Indian music industry is a consortium of 142 music companies
- Players are looking at new ways and mediums to monetise music, such as utilizing social media to promote music. Mobile phones, iPods and mp3 players – devices that enable music on-the-go – are becoming the primary means to access music
- Digital music on mobile continues to drive music industry revenue and digital revenues are expected to reach US\$394.22 million by 2021. Digital revenue contributes 55 per cent of the music industry and is expected to contribute close to 62 per cent by 2018.

Future Horizons

The Indian M&E sector is expected to witness robust growth on the back of favorable socio-economic indicators and the rapid pace of digital adoption. Going ahead, the M&E value chain will continue to evolve rapidly and traditional and digital media companies will need to innovate and adapt to this dynamic landscape to come out on top.

The following will be the key themes that will play out in the Indian M&E market.

1. Digital Disruption

Owing to a strong macro-economic growth trend, favorable demographic dividend, increased smartphone penetration and improving and affordable internet infrastructure, the Indian M&E industry is in the middle of a strong digital revolution. Every segment of the industry is undergoing a rapid digital transformation, both on the consumer side (in terms of media consumption patterns) as well as on the content creation and distribution supply chain. Such technology-led advancement presents a disruptive opportunity to all media companies to re-invent their business models and cement their market position for the next phase of growth. Both traditional and new-age players should continue to invest in building the digital ecosystem, be it in content, platform, technology or device.

2. Convergence

In the future, there would be convergence across the technology media telecom value chain. B2B media companies (e.g., cable) will turn into B2C companies and interact directly with the end consumers. Similarly, B2C companies will look for opportunities that will create a strong customer differentiation. For example, telecom operators are looking to invest/acquire content production houses (both traditional and digital) to cater to their large subscriber base. On the other hand, TV broadcasters with their own OTT platforms are looking for innovative/disruptive technology companies. Merger between AT&T, a telecom provider and Time Warner, a production house is a recent example of the same.

3. Collaboration

Large media companies continue to look to further consolidate their operations and plug in gaps in terms of regions or genres via acquisitions. The Dish TV—Videocon d2h merger is the first indication of an imminent consolidation in the Indian TV distribution space. There are more collaboration expected in the TV broadcasting segment with investment by larger companies in smaller regional players. The domestic consolidation wave is generally followed by strategic inbound investments by large global players. The acquisition of Sarthak TV by Zee Entertainment to be now called Zee Sarthak has also resulted in a win-win situation for both the parties, a big value deal for Sarthak TV (US\$ 18.83 million) and an access to large Oriya language user base for Zee Entertainment.

OTT – the next wave in digital entertainment

As per industry estimates, India is expected to reach 84 billion internet video minutes per month by 2021. When it comes to the time spent by each viewer per day, Netflix has around 51 minutes per day, followed by Voot with 50 minutes, Amazon Prime Video with 42

minutes, Hotstar with 33 minutes and Jio TV with 30 minutes. Driven by the exponential growth of video consumption over digital media, video OTT platforms have been a key focus area for the leading media conglomerates and start-ups alike. The market is also observing the entry of large global digital video players. At present, India has over 30 OTT players, including many global players. The OTT segment in India spans companies from across the media ecosystem including broadcasters, studios, DTH operators, telcos and content aggregators. To gain a foothold in India's highly competitive OTT segment, global players are increasingly signing content licensing deals with local players to expand their content library. They are investing in original short-form content to meet audience demand; especially from consumers of regional content (most Indian OTT users consume content in their native language).

Case Studies

Hotstar:

- Star India officially launched Hotstar domain and the mobile app in February 2015, just before the ICC cricket world cup 2015. It has expanded its offering with 35,000 hours of content, spread across 8 languages from the entertainment, movie and sports channels.
- With 10 million downloads in the 40 days since its launch, Star India's mobile application Hotstar is undoubtedly the hottest digital media product today.
- Star India Pvt. Ltd. has acquired a minority stake in Zapr Media Labs, a digital media company in March 2017. The investment entails a strategic partnership between Hotstar and Zapr. Zapr's technology allows users to connect their TV screen with their mobile screen for engagement across several mediums.
- It is the second largest video OTT app after Youtube in terms of monthly active users. It has managed to achieve an average TSV (time spent per viewer) of 24 minutes a day.

Netflix:

- Partnered with Green Gold Animation to launch its first kids' original animated series in India called Mighty Little Bheem, debuting in 2018
- Partnered with Ronnie Screwvala's production company RSVP for its first original

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Digital Transformation in Media and Entertainment Industry

* Ms. Ritika Sharma

ABSTRACT

Almost 20 years ago, an influential essay, entitled “Content is King”, was published. At a time when most people didn’t have email accounts, it made some bold predictions, most notably: “Content is where I expect much of the real money will be made on the internet, just as it was in broadcasting.” For the best part of two decades, its author, Bill Gates, has been proved spectacularly right.

Today however, the situation is a lot more complicated. Both the viewers and the content providers have evolved with changing preferences and also with the means and nature of content being provided.

Digitization has impacted every industry in a positive manner and Media and Entertainment industry is no exception to this. From buying a newspaper to opening a news app on your tablet, from renting a DVD or Blu- Ray disc to streaming your favorite television series on a smart TV, from buying a cookbook to getting customized recipe suggestions on your Smartphone, it’s undeniable that the digital transformation of the media industry has already begun. There is a shift in the consumer behaviour after the digital disruption especially among younger generations who demand instant access to content, anytime, anywhere. Although the per capita consumption of traditional media continues to grow at 3%, digital consumption has expanded at a much more exponential pace clocking up to 15% annually. This indicates a growing pool of new, albeit low volume users, who are rapidly being inducted into the existing consumer stream across the country.

Content consumption across media channels, devices and demographics is also on the rise. Due to unprecedented Internet usage and adoption of Internet-enabled devices, consumers are now at the heart of a digital ecosystem in which they actively create, distribute

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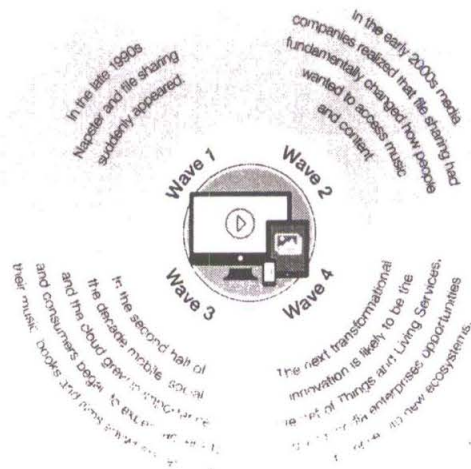
and consume content. Companies like Netflix and Spotify are using real time data analytics and content management systems to engage with the viewers in a better way.

Digitization has revolutionized the revenue sources by providing more choice and variety to customers such as HD channels, broadband and value-added services (VAS) such as edutainment, gaming and video on demand (VOD). Media companies now have greater flexibility to determine how to price content, in order to maximize revenues. The traditional product placements will be overtaken by specific product placements which will increase the chances of purchase. The time is very near when it will be possible to order your favorite actor's jacket just by clicking the screen when it appears.

Digital Evolution

The media and entertainment industry has been transformed by four waves of digital transformation, each driven by the impatience of consumers for content consumption.

As we can see from the graphic here, it all started with the need of file sharing among consumers in the 1990s, then slowly evolved to sharing music and content in the next decade. After 2005 or so, social media sites like Orkut and Facebook had already started taking shape and had entered into the consumer's lifestyle. Also, cloud technologies wherein large amount of data could be stored online and could be accessed from anywhere anytime emerged (for example google docs and other such similar services). The fourth wave which we are witnessing now is all about Internet of Things, Machine Learning, Artificial Intelligence, Recommendation engines and what not. The consumer has evolved with their choices of experiencing media and entertainment and so it opens many new avenues for the respective companies to occupy share of mind of the consumer. Some major breakthroughs will be discussed further in this paper.



movie from India Love per Square Foot

- Announced two new Netflix original series from India— Selection Day, a story of cricket and corruption by author Aravind Adiga, and Again, a supernatural, female-led detective series written by Marisha Mukerjee. This would be Netflix's third India original after the announcement of Sacred Games in June 2017.
- Partnered with Shah Rukh Khan's Red Chillies Entertainment for a new multilingual Netflix original series, based on the book Bard of Blood
- Acquired the rights to stream S.S. Rajamouli's war epic Baahubali: The Beginning and Baahubali 2: The Conclusion for INR 255 million

Hoichoi:

- This is an OTT streaming service by one of the largest integrated production houses in East India Shree Venkatesh Films, popularly known as SVF which has helped in taking Bengali content to wider audiences and offered a new release window.
- It has a repository of over 500 Bengali movies and 1000 Bengali songs for audio streaming for Bengali audiences globally.
- It has entered into strategic partnerships with Amazon Prime and Hotstar to further expand its reach to Bengali viewers. However, the original content being created at Hoichoi is not available anywhere else other than their own platform.

Telecom players are also entering the fray by launching their own OTT platforms. For example, Vodafone has Vodafone Play, Airtel has Wynk Music, and Jio has Jio movies. BSNL has partnered with Eros Now and ZEE5's Ditto TV, whereby these OTT services are available to BSNL data subscribers.

Conclusion

We are going through a phase of rapid and sustained digital innovation which will permanently change the way people access and consume content. Disruption and growth are not new to the Indian digital fraternity as it is a continuously evolving sector. However, dramatic shifts in content formats, consumption trends, advertising techniques and consumer behaviour happening simultaneously in the industry have paved way for a new age in digital – The Age of Combustible Growth. Media and Entertainment companies have an exciting opportunity

to leverage the India growth story. These companies should now look to invest in content, talent coaching and marketplace of talent. Mobile subscriptions and mobile payment wallets are the next way forward to take this industry ahead.

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A Study on the financial performance of selected Non - Banking Finance Companies (NBFCs) in India with special reference to commercial vehicle financing

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ABSTRACT

Non-Banking Finance Companies (NBFCs) act as an alternative to normal banking system. They also play an important part of Indian Financial System and have praiseworthy contributions towards the goal of financial Inclusion. In today's scenario, NBFCs play a major role in economic development by channelizing savings into investment. They have been providing credit to retail customers those who are not served by the normal banking system. NBFCs have played a major role in the growth of key sectors like Road Transport and Infrastructure sectors in India. Now a days, NBFCs have been complementing the role of the organized banking sector by linking the credit gaps, i.e., fulfilling the rising financial requirements of the corporate sector, providing credit to the unorganized sector and to small borrowers.

The present study is an attempt to analyze the evolution of NBFCs, the growth and performances of selected NBFCs like, Shriram Transport Finance Co. Ltd, Sundaram Finance Ltd., & Cholamandalam Investment and Finance Co. Ltd., those who are engaged in Asset Financing. The study will highlight the performance with special reference to transport financing i.e., Commercial vehicle financing in India. The samples are taken on the basis of random sampling method.

In this study we analyze the performance of the selected NBFCs on the basis of the financial parameters such as Net Revenue, Profit Before Tax, and Profit After Tax. Here, the study uses F-test for analyzing and comparing the financial performance of the NBFCs.

Keywords: *NBFCs, Asset Finance, Commercial vehicle finance, Net Revenue, PBT, PAT, etc.*

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Introduction

Banks are the most important institutions which are responsible in managing and securing the wealth of the common man. The banking industry, whether public banks or private banks, are the most trusted business entities, where people with all their trust deposit their hard earned money for safety. However, there is another institution which has gradually made its presence felt in this field is called Non-Banking Finance Company (NBFC).

Non-Banking Finance Companies have always played an important position in the country's economy. They play an important role in capital formation, which is essential for the economic development of a country. They mobilize the resources over a wide area through their network of branches all over the country and make it available for productive purposes. They have been providing credit to retail customers those who are not served by the normal banking system. NBFCs have played a major role in the growth of key sectors like Road Transport and Infrastructure sectors in India.

Non-Banking Finance Companies has contributed to the process of economic development by serving as a major source of credit to households, business and weaker sectors of the economy like village and small scale industries.

The present study is an effort to analyze the Growth and performance of selected Non-Banking Finance Companies engaged in commercial vehicle financing in India.

Conceptual Study:

Non-Banking Finance Companies have a similarity with the banks in terms of the services offered. However, there is a major difference between the roles, responsibilities and functions between banks and non-banking financial companies. Some of the differences are:

- A Non-Banking Finance Company cannot accept demand deposits i.e. funds deposited at a depository institution that are payable on demand immediately or within a very short period, which are similar to current accounts or savings accounts.
- Non-Banking Financial Companies cannot issue cheques to its customers as they are not a part of the transactions system.
- Deposit insurance facilities are also not available for Non-Banking Financial Company's depositors unlike in case of banks.

For an institution to become a Non-Banking Finance Company, it is mandatory for it to be registered with the Central Bank of a Country, i.e., RBI in India, to carry out its operations. However, certain Non-Banking Financial Companies, i.e., venture capital fund/merchant banking companies/stock broking companies registered with SEBI, insurance company holding a valid certificate of registration issued by IRDA etc. are exempted from being registered under the RBI.

The different types of NBFCs registered with RBI have been reclassified as

- **Asset Finance Company (AFC):** The main business of these companies is to finance the assets such as machines, automobiles, generators, material equipments, industrial machines etc.
- **Investment Company (IC):** The main business of these companies is to deal in securities.
- **Loan Company (LC):** The main business of such companies is to make loans and advances (not for assets but for other purposes such as working capital finance etc.)

Objective of the Study:

- To evaluate the financial performance of the selected Non-Banking Finance Companies on the basis of selected parameters.
- To compare the financial performance of these Non-Banking Finance Companies.

Limitations of the Study:

Limitations are always a part of any kind of research work. As the report is mainly based on secondary data; proper care has been taken in knowing the limitations of the required study.

- The financial performance of the selected Non-Banking Finance Companies is shown just for the last ten years. Hence, any uneven trend before or beyond the set period is the limitations of the study.
- This analysis is based on only monetary information. Hence, analysis of the non-monetary factors has not been studied.

Sample Size:

For this study three Non-Banking Finance Companies whose major business involves Asset financing, i.e., Commercial vehicle financing are selected on the random basis. These are: Shriram Transport Finance Co. Ltd, Sundaram Finance Ltd., &Cholamandalam Investment and Finance Co. Ltd.

Variables Used:

For the study of the financial performance of the selected companies, three parameters are taken for evaluation. These are:

- **Total revenue:**

Total revenue refers to the gross revenue earned from the business operations.

- **Profit Before Tax**

Profit Before Tax refers to a company's profits before the payment of income tax. This measure deducts all expenses from revenue including interest expenses and operating expenses, but it leaves out the payment of tax.

- **Profit After Tax**

Profit after tax refers to the total amount that a company earns after all tax deductions have taken place. It is used as a barometer to determine how much a company really earns and how much it can utilize for its day to day activities. Profit after tax is also seen as a measure of a company's profitability after all its expenses have been deducted and can be fully utilized by the company to conduct its business. Shareholders are also paid dividends from this amount.

Methodology:

The study is mainly based on secondary data drawn from the annual reports of the respective Non-banking finance companies. This data collected for a period of last Ten years (2007-08 to 2016-17). For analysis of the data, one important statistical tools viz. Mean or Average has been used to arrive at conclusions in a scientific way. Again the statistical tool F-test is used to test the hypothesis.

Hypothesis:

- **Hypothesis 1:**

Null Hypothesis (H_0 1): There is no difference in the average or mean financial performance between the NBFCs.

Alternative Hypothesis (H_1 1): There is a difference in the average or mean financial performance between the NBFCs.

- **Hypothesis 2:**

Null Hypothesis (H_0 2): There is no difference in the average or mean performance between the financial parameters (i.e., Total revenue, PBT and PFT).

Null Hypothesis (H₁₂): There is a difference in the average or mean performance between the financial parameters (i.e., Total revenue, PBT and PFT).

Literature Review:

Perumal, A & Satheeskumar, L (2013) in their study of two NBFCs namely Sundaram Finance Ltd. and Lakshmi General Finance Ltd. found that many factors have contributed to the rapid growth of these NBFCs. There are regulations of the banking system on the one hand and some left outs are there in the other hand in relation to NBFCs. They conclude that the contribution of NBFCs to economic development is highly significant and there is need to integrate it with the mainstream financial system. Reserve Bank of India is taking steps from time to time for the regulation of NBFCs. Experience over the last three decades has shown that the earlier regulations covered only the deposit taking activities without adequately covering the functional diversities of these companies. There should be an appropriate regulatory framework for NBFCs and more powers should be vested with Reserve Bank of India to monitor them in an effective manner to safeguard the interest of innocent investor.

Islam, M. A (n.d) in his study emphasizes the impact of NBFCs on economic development of Malaysia using time series data over the period spanning 1974 to 2004. In his study he examined the long-run relationship between per capita real GDP and the NBFCs in Malaysia using the ARDL bounds testing approach to cointegration over the period 1974-2004. The test revealed that there is a stable long run relationship between per capita real GDP and the NBFCs, investment, trade openness, and employment. The estimation results suggest that both NBFCs and the other variables used in the model play important role for explaining the variations in the long run per capita real GDP in Malaysia. The most striking finding is that the NBFCs have a positive and significant impact on long run per capita real GDP in Malaysia.

Singh, S, Singh, A. P & Tiwari, S (2016) in their study mainly emphasizes on the role & regulations of NBFCs in India, its significance, the funding sources of NBFCs & its future prospects. The researchers conclude that the NBFCs are playing significant role in meeting financial requirements of the medium and small scale industries and development of Indian economy indirectly. Policies of NBFCs are providing investment security for the investors. The researchers mentioned that due to the regulations of the Reserve Bank of India, still the NBFCs are not extending more credit. They also suggested that the NBFCs should change their credit policy to reduce rate of interests, which helps to small enterprises to get loans for their different capital requirements.

Goel, A (n.d) in his study observed that NBFCs have been playing a very significant role from the view point macroeconomic outlook and the structure of the Indian financial system. NBFCs are the perfect or even better alternatives to the traditional Banks for meeting a range of financial requirements of a business activity. They offer rapid and efficient services without going through complex formalities. However, in order to survive and to continuously grow, NBFCs have to focus on their core strengths while recovering their weaknesses. They need to be very vibrant and constantly try to search for new products and services in order to carry on in this competitive financial market.

Data Analysis:

In this section, the performance of selected NBFCs are measured on the basis of three financial parameters i.e. Total Revenue (TR), Profit Before Tax (PBT) and Profit After Tax (PAT). For testing the hypothesis, the two variables are considered, i.e.,

- Three NBFCs
- Three Financial Parameters

Table 1:

Mean Value of the parameters (All figures are in Rs. Crores)									
Year/Company	STFC			SFL			CFL		
	Total Revenue	PBT	PAT	Total Revenue	PBT	PAT	Total Revenue	PBT	PAT
Mar-08	2493.27	605.83	389.83	1013.43	302.90	212.54	891.73	221.44	59.37
Mar-09	3729.41	920.63	612.40	1113.76	219.71	150.73	1112.90	17.08	42.75
Mar-10	4499.43	1324.59	873.12	1237.59	323.48	226.75	926.36	31.33	15.42
Mar-11	5401.05	1848.93	1229.88	1450.41	429.45	295.23	1201.83	100.11	62.18
Mar-12	5893.88	1880.91	1257.45	1761.88	512.15	355.45	1766.60	290.11	172.54
Mar-13	6563.59	2016.19	1360.62	2131.78	592.61	410.11	2555.68	450.80	306.55
Mar-14	7888.26	1828.04	1264.21	2313.91	646.63	442.51	3262.84	550.21	364.01
Mar-15	8644.72	1842.39	1237.81	2369.07	651.20	454.14	3691.19	657.22	435.16
Mar-16	10245.26	1781.43	1178.20	2475.02	683.23	477.28	4193.71	870.77	568.45
Mar-17	10830.61	1923.93	1257.34	2458.29	720.21	495.35	4660.35	1105.58	718.74
Mean	6618.95	1597.29	1066.09	1832.51	508.16	352.01	2426.32	429.47	274.52
CAGR (%)	15.82%	12.25%	12.42%	9.27%	9.05%	8.83%	17.98%	17.44%	28.32%

Source: Financial Statements of the companies

Table 2:

Financial Parameters	NBFCs			
	STFC	SFL	CFL	Row Total
Mean TR	6618.95	1832.51	2426.32	10877.78
Mean PBT	1597.29	508.16	429.47	2534.92
Mean PAT	1066.09	352.01	274.52	1692.62
Column Total	9282.33	2692.68	3130.31	T = 15105.32

Here, $N = 9$

$$\text{Correlation Factor (C)} = T^2 / N = (15105.32)^2 / 9 = 228170692.3 / 9 = 25352299.1$$

$$\text{Total Sum of Squares (TSS)} = [6618.95^2 + 1832.51^2 + 2426.32^2 + 1597.29^2 + 508.16^2 + 429.47^2 + 1066.09^2 + 325.01^2 + 274.52^2] - C$$

$$= 43810499.1 + 3358092.9 + 5887028.7 + 2551335.3 + 258226.6 + 184444.5 + 1136547.9 + 123911 + 75361.2 - 25352299.1$$

$$= 32033148.17$$

Sum of Squares between columns, i.e., NBFCs (CSS)

$$= (9282.33^2) / 3 + (2692.68^2) / 3 + (3130.31^2) / 3 - C$$

$$= 28720550 + 2416841.9 + 3266280.2 - 25352299.1$$

$$= 9051373$$

Sum of Squares between rows, i.e., Financial parameters (RSS)

$$= (10877.78^2) / 3 + (2534.92^2) / 3 + (1692.62^2) / 3 - C$$

$$= 39442032.6 + 2141939.8 + 954987.5 - 25352299.1$$

$$= 17186660.7$$

Residual or Error Sum of Squares (ESS) = TSS – (CSS + RSS)

$$= 32033148.17 - (9051373 + 17186660.7)$$

$$= 5795114.4$$

ANOVA TABLE				
Sources of variation	Sum of squares	Degree of freedom	Mean square = Sum of square / d.o.f	F-ratio
Between NBFCs (CSS)	9051373	3-1 = 2	4525686.5	$F_C = 3.12$
Between parameters (RSS)	17186660.7	3-1 = 2	8593330.35	$F_R = 5.93$
Residual or Error (ESS)	5795114.4	(3-1) *(3-1) = 4	1448778.6	
Total	32033148.1	8		

Test of Hypothesis:

- **Hypothesis 1:**

The computed value of $F_C = 5.93$

The table value of $F_{(0.05, 2, 4)} = 6.94$

It means the calculated value (F_R) is less than the table value. Thus, the null hypothesis is accepted and alternative hypothesis is rejected. Therefore, we conclude that there is no difference in the average or mean financial performance between the NBFCs.

- **Hypothesis 2:**

The computed value of $F_R = 3.12$

The table value of $F_{(0.05, 2, 4)} = 6.94$

It means the calculated value (F_C) is less than the table value. Thus, the null hypothesis is accepted and alternative hypothesis is rejected. Therefore, we conclude that there is no difference in the average or mean performance between the financial parameters (i.e., Total revenue, PBT and PFT).

Conclusion:

It is clear from the Table-1 that there is a huge growth in the commercial vehicle financing sector in India. Because the Compound Annual Growth Rate (CAGR) of the financial parameters of the NBFCs who are engaged in commercial vehicle financing depicts a

remarkable growth in the last ten years. Among these three Non-Banking Finance Companies, CFL is growing at a faster rate than other two companies. When we analyze the hypothesis, it is found that there is no difference in the average or mean financial performance between the NBFCs. Again, there is also no difference in the average or mean performance between the financial parameters (i.e., Total revenue, PBT and PFT).

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